

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY

**Financial Statements**

December 31, 2008

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY  
**Financial Statements**  
December 31, 2008

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# HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA  
KEVIN L. SIMISTER, CPA  
O. JEFFERY WILDE, CPA  
MARK D. WHITTAKER, CPA  
DENTON R. ALEXANDER, CPA  
D. ERIC NUTTALL, CPA  
BRUCE D. GARFIELD, CPA  
CLINT L. PETERSON, CPA  
ANGELA ANDERSON MORRIS, CPA  
MARK L. HALE, CPA  
JOSH G. ROWLEY, CPA

RICHARD E. HAWKINS, CPA  
KEITH T. BORUP, CPA  
RONALD K. HAWKINS, CPA

## INDEPENDENT AUDITORS' REPORT

Honorable Governing Board Members  
Twin Creeks Special Service District  
Heber City, Utah

We have audited the accompanying financial statements of Twin Creeks Special Service District, a component unit of Wasatch County, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of Twin Creeks Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Twin Creeks Special Service District as of December 31, 2008, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2009 on our consideration of Twin Creeks Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and

reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages MDA-1 through MDA-5 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The accompanying Schedule of Water Impact Fee Activities on page 20 and Schedule of Sewer Impact Fee Activities on page 21 are supplementary information required by *Utah Code Sections* 10-5-129 and 17A-1-4, and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

June 23, 2009

# **TWIN CREEKS SPECIAL SERVICE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Twin Creeks Special Service District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the year ending December 31, 2008. Please read it in conjunction with the District's financial statements and additional information that we have furnished in the Independent Auditors' Report.

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### **FINANCIAL HIGHLIGHTS**

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- The District's total net assets decreased from \$36,424,197 to \$36,176,065 due to a leveling off of improvements during the year and a decrease in construction within the District. As the District continues to grow, additional facilities, equipment, vehicles etc. will be added.
- The District's operating expenses are largely the result of operation and maintenance of additional facilities and repair work completed on existing facilities.
- The District's revenues are mainly reserve fees, charges for services, and bond assessments.

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### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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This annual report includes the Management's Discussion and Analysis, the Independent Auditors' Report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

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### **REQUIRED FINANCIAL STATEMENTS**

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The financial statements of the District report information of the District accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about the District's activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments and resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through its fees and other charges, and to determine its profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financial activities and

# TWIN CREEKS SPECIAL SERVICE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

### REQUIRED FINANCIAL STATEMENTS (cont.)

provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

### FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Assets, and the Statement of Revenues, Expenses, and Changes in Net Assets report the net assets of the District and the change in them. The District's net assets, or the difference between assets and liabilities, is one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets will be one indicator of whether its financial health is improving or deteriorating. However, in the future one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

### NET ASSETS

**Table A-1  
Statement of Net Assets  
2008**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Current and Other Assets	\$ 14,020,458	\$ 3,088,692	\$ 10,931,766	354.0%
Capital Assets	<u>51,074,463</u>	<u>37,192,241</u>	<u>13,882,222</u>	37.3
Total Assets	<u>\$65,094,921</u>	<u>\$ 40,280,933</u>	<u>\$ 24,813,988</u>	61.6
Long-term Liabilities	\$ 27,259,000	\$ 3,158,606	\$ 24,100,394	763.0
Other Liabilities	<u>1,659,856</u>	<u>698,130</u>	<u>961,726</u>	137.8
Total Liabilities	<u>\$28,918,856</u>	<u>\$ 3,856,736</u>	<u>\$ 25,062,120</u>	649.8
Invested in Capital Assets, Net of Related Debt	\$35,992,395	\$ 34,423,482	\$ 1,568,913	4.6
- Restricted	1,664,640	1,923,865	(259,225)	(13.5)
- Unrestricted	<u>(1,480,970)</u>	<u>76,850</u>	<u>( 1,557,820)</u>	(2,027.1)
Total Net Assets	<u>\$ 36,176,065</u>	<u>\$ 36,424,197</u>	<u>\$ (248,132)</u>	(0.7)

# TWIN CREEKS SPECIAL SERVICE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

### NET ASSETS (cont.)

The District's Net Assets decreased by \$ 248,132, which was mostly due to the decrease in operating revenues.

**Table A-2  
Statement of Revenues,  
Expenses, and Changes in Net Assets  
2008**

				Total
	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 694,411	\$ 896,841	\$ (202,430)	(22.6)%
Net Non-operating Revenues (Expenses)	<u>92,765</u>	<u>(5,080)</u>	<u>97,845</u>	(1,926.1)
Total Revenues	<u>787,176</u>	<u>891,761</u>	<u>(104,585)</u>	(11.7)
Depreciation Expense	246,204	168,221	77,983	46.4
Amortization Expense	85,820	5,695	80,125	1,406.9
Other Operating Expense	<u>853,311</u>	<u>482,121</u>	<u>371,190</u>	77.0
Total Expenses	<u>1,185,335</u>	<u>656,037</u>	<u>529,298</u>	80.7
Income (Loss) Before Capital Contributions	(398,159)	235,724	(633,883)	268.9
Capital Contributions				
From Developers	104,000	27,052,719	(26,948,719)	(99.6)
Impact Fees	<u>46,027</u>	<u>337,245</u>	<u>(291,218)</u>	(86.4)
Changes in Net Assets	(248,132)	27,625,688	(27,873,820)	(100.9)
Beginning Net Assets	<u>36,424,197</u>	<u>8,798,509</u>	<u>27,625,688</u>	(314.0)
Ending Net Assets	<u>\$36,176,065</u>	<u>\$ 36,424,197</u>	<u>\$ (248,132)</u>	(0.7)

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. There was an overall decrease in net assets in the amount of \$248,132 due mostly to a decrease in operating revenues.



**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)**

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**BUDGETARY HIGHLIGHTS**

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The District adopts an annual Budget by resolution following a public hearing. The Budget includes proposed expenses and the means of financing them. The District's Budget remains in effect the entire year and is subject to revision if necessary during and/or at the end of the year following a public hearing and adoption by the Governing Board by resolution. A quarterly analysis is presented to management and to the Governing Board for their review.

A public hearing was held on December 6, 2007 and the 2008 final budget was adopted by resolution by the District's Governing Board. As of December 31, 2008, total expenses were over budget by 4.5% due to an underestimate of legal and professional fees and an increase in the cost of materials and supplies.

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**CAPITAL ASSETS**

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**Table A-4  
Capital Assets  
2008**

	Balance 2007	Additions	Deletions	Balance 12/31/2008
Capital Assets – not being depreciated				
Land, water rights, idle assets, and construction in progress	\$29,780,611	\$14,164,198	\$(10,237,896)	\$33,706,913
Capital Assets - being depreciated				
buildings, infrastructure, and equipment	8,785,764	10,230,926	(29,727)	18,986,963
Less: Accumulated depreciation	<u>1,374,134</u>	<u>246,204</u>	<u>(925)</u>	<u>1,619,413</u>
Capital Assets, net	<u>\$37,192,241</u>	<u>\$ 24,148,920</u>	<u>\$(10,266,698)</u>	<u>\$51,074,463</u>

## **TWIN CREEKS SPECIAL SERVICE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)**

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#### **CAPITAL ASSETS (cont.)**

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The District's Capital Plan includes the construction of water and sewer lines. The increase in net capital assets of \$13,882,222 is the result of investments in plant equipment purchase and upgrade, and contributions of infrastructure and water shares from developers.

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#### **DEBT ADMINISTRATION**

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The District has loans that are used to help finance the cost of infrastructure within the District. See the notes to the financial statements for further information.

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#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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The County Council and management of the District considered many factors when setting the year 2009 budget. One of those factors is the local economy and the impact our rates will have on local property owners. Additional establishments of water and sewer policies will be completed in 2009 so that the District may operate under implemented ordinances and policies. The District will continue with upgrades on the water and sewer system to accommodate the projected growth and development. A water and sewer impact fee analysis study was completed, and the District's rate structure was put into place in 2003. This rate structure is competitive with other Special Service Districts' rate structures within Wasatch County. The District did not receive water shares in 2008 but expects to continue to receive water shares in the future. As they are received the value will be based on the current market.

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#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGER**

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This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Twin Creeks Special Service District, 55 N 500 E, Heber City, Utah 84032.

## **FINANCIAL STATEMENTS**

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flows

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY

**Statement of Net Assets**

December 31, 2008

With Comparative Totals for December 31, 2007

**ASSETS**

	2008	2007
<b>Current Assets</b>		
Cash and cash equivalents (Notes 1 and 2)		\$ 42,533
Accounts receivable (Note 1)	\$ 113,821	259,798
Prepaid asset	6,000	
Accrued interest receivable	24,296	
Current portion special assessment receivable (Note 4)	255,037	179,452
Total current assets	<u>399,154</u>	<u>481,783</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Notes 1 and 2)	12,985,787	1,948,270
Special assessment receivable (Note 4)	367,000	624,803
Capital assets (Notes 1 and 7)		
Land, water rights, and construction in progress	33,706,913	29,780,611
Depreciable buildings and equipment, net	17,367,550	7,411,630
Debt issuance costs (net of \$127,003 and \$41,184 accumulated amortization, respectively)	268,517	33,836
Total noncurrent assets	<u>64,695,767</u>	<u>39,799,150</u>
Total assets	<u><u>\$ 65,094,921</u></u>	<u><u>\$ 40,280,933</u></u>

**LIABILITIES**

<b>Current Liabilities</b>		
Accounts payable	\$ 104,539	\$ 143,716
Due to other governmental entities	114,686	18,000
Accrued interest payable	873,594	63,765
Current portion bonds payable (Note 5)	312,000	293,197
Current portion deferred special assessment revenue (Notes 4 and 5)	255,037	179,452
Total current liabilities	<u>1,659,856</u>	<u>698,130</u>
<b>Noncurrent Liabilities</b>		
Note payable (Note 5)	24,670,000	
Bonds payable (Note 5)	2,222,000	2,533,803
Deferred special assessment revenue (Notes 4 and 5)	367,000	624,803
Total noncurrent liabilities	<u>27,259,000</u>	<u>3,158,606</u>
Total liabilities	<u><u>\$ 28,918,856</u></u>	<u><u>\$ 3,856,736</u></u>

**NET ASSETS (NOTES 1 AND 9)**

Invested in capital assets, net of related debt	\$ 35,992,395	\$ 34,423,482
Restricted for		
Contractual agreement	86,281	79,863
Capital projects	1,261,005	1,487,444
Debt service	317,354	356,558
Unrestricted net assets (deficit)	<u>(1,480,970)</u>	<u>76,850</u>
Total net assets	<u><u>\$ 36,176,065</u></u>	<u><u>\$ 36,424,197</u></u>

**TWIN CREEKS**  
**SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
For the Year Ended December 31, 2008  
With Comparative Totals for the Year Ended December 31, 2007

	2008	2007
<b>Operating Revenues</b>		
Charges for services	\$ 374,258	\$ 533,737
Reserve fees	92,372	68,699
Bond assessments	209,586	261,553
Miscellaneous	18,195	32,852
Total operating revenues	<u>694,411</u>	<u>896,841</u>
<b>Operating Expenses</b>		
Insurance	297	13,724
Management fee	300,000	198,000
Telephone and utilities	33,734	30,870
Legal, professional, and technical	138,646	112,526
Materials, supplies, and services	302,493	123,460
Miscellaneous	9,578	3,541
Bad debt	68,563	
Depreciation	246,204	168,221
Amortization	85,820	5,695
Total operating expenses	<u>1,185,335</u>	<u>656,037</u>
Operating income (loss)	<u>(490,924)</u>	<u>240,804</u>
<b>Nonoperating Revenues (Expenses)</b>		
Loss on disposal of assets	(61,841)	
Interest revenue	227,457	82,818
Interest expense	(72,851)	(87,898)
Total nonoperating revenues (expenses)	<u>92,765</u>	<u>(5,080)</u>
Income (loss) before contributions	<u>(398,159)</u>	<u>235,724</u>
<b>Capital Contributions</b>		
Contributions from developers	104,000	27,052,719
Impact fees	46,027	337,245
Total capital contributions	<u>150,027</u>	<u>27,389,964</u>
<b>Change in Net Assets</b>	(248,132)	27,625,688
Net assets – beginning of year	<u>36,424,197</u>	<u>8,798,509</u>
Net assets – end of year	<u>\$ 36,176,065</u>	<u>\$ 36,424,197</u>

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY  
**Statement of Cash Flows**

For the Year Ended December 31, 2008  
With Comparative Totals for the Year Ended December 31, 2007

	2008	2007
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 562,239	\$ 519,011
Bond assessment receipts	209,586	261,553
Payments to suppliers	(733,239)	(456,103)
Payments to employees	(15,915)	(15,915)
Net cash provided by operating activities	<u>38,586</u>	<u>308,546</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from debt	24,670,000	
Capital contributions – impact fees	46,027	337,245
Purchases of capital assets	(350,477)	
Construction of capital assets	(12,916,027)	(33,791)
Cost of debt issuance	(320,500)	
Principal paid on debt	(293,000)	(282,779)
Interest paid on debt	(82,786)	(97,123)
Net cash provided (used) by capital and related financing activities	<u>10,753,237</u>	<u>(76,448)</u>
<b>Cash Flows from Investing Activities</b>		
Interest income	203,161	82,818
Net cash provided by investing activities	<u>203,161</u>	<u>82,818</u>
Net increase in cash and cash equivalents	10,994,984	314,916
Balances – beginning of year	1,990,803	1,675,887
Balances – end of year	<u>\$ 12,985,787</u>	<u>\$ 1,990,803</u>
Cash and cash equivalents		\$ 42,533
Restricted cash and cash equivalents	\$ 12,985,787	1,948,270
	<u>\$ 12,985,787</u>	<u>\$ 1,990,803</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities</i>		
Operating income (loss)	\$ (490,924)	\$ 240,804
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	246,204	168,221
Amortization	85,820	5,695
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	145,977	(116,277)
Increase in prepaid expenses	(6,000)	
Increase in accrued liabilities	57,509	10,103
Net cash provided by operating activities	<u>\$ 38,586</u>	<u>\$ 308,546</u>
<i>Noncash capital and related financing activities</i>		
Capital contribution of land	\$ 104,000	
Capital contribution of water shares		\$ 25,689,250
Capital contribution of infrastructure		\$ 1,363,469

## **NOTES TO FINANCIAL STATEMENTS**

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2008

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements and notes are representations of Twin Creeks Special Service District's management, which is responsible for their integrity and objectivity. They have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and present the financial position, the changes in its financial position, and cash flows of the District as of December 31, 2008, and for the year then ended. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

**Reporting Entity**

Twin Creeks Special Service District (the District) is an enterprise fund type of the governmental entity Wasatch County operated similar to a private business enterprise. The intent of the governing body is that the costs of providing goods and services on a continuing basis to the general public within the District's boundaries be financed or recovered primarily through user charges for water sales, wastewater collection and treatment services, and special assessments.

**Component Unit**

Under the guidelines established by GASB 39, the District has been determined to be a component unit of Wasatch County for financial accounting purposes and is included as a blended component unit in the County's financial statements.

**Basis of Accounting**

Enterprise funds focus on measurement of the flow of economic resources. With this measurement focus, all assets and liabilities associated with the operation of this fund, both current and noncurrent, are included on the Statement of Net Assets. The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Enterprise funds follow all GASB pronouncements. In addition all Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions pronouncements issued on or before November 30, 1989 are followed unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.



**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2008

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales, wastewater collection and treatment services provided by the District, and special assessments. Operating expenses for the District include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**Capital Assets**

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Years</u>
Water Treatment Plant and Improvements	10 – 50
Sewer System	50
Water System	50
Vehicles	5
Equipment	5 – 10
Office Equipment	5 – 10

Assets the District is constructing are not placed in service until the construction is complete; therefore, no depreciation is taken. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period. See Note 7 for further information.

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY  
**Notes to Financial Statements**  
December 31, 2008

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Wasatch County passed an ordinance allowing the District to place a lien on any property with an overdue balance on the fees. The District will place a lien on the property if the account is ninety (90) days delinquent at September 1. The District will eventually collect the fees; therefore, an allowance for doubtful accounts is not recorded in the financial statements. In 2008, \$68,563 in accounts receivable were written off as uncollectible. This receivable was the cost of a feasibility study for connection to the sewer system that the customer decided not to pursue.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Budgeting**

The District's governing board adopts a budget for each calendar year prior to the beginning of the year. These budgets are amended during the year, as the board deems necessary, to accommodate current operations and are accepted by official vote of the board. The budget for the year ended December 31, 2008 was not amended.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded the commercial insurance coverage in the last three years.

**Cash and Cash Equivalents**

The District defines cash and cash equivalents as all deposits in its checking and money market accounts, and all highly liquid debt instruments purchased with a maturity of three months or less. See Note 2 for additional information.

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2008

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by outside parties, creditors, grantors or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities. See Note 9 for additional information.

**NOTE 2 – DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS**

**Deposits and Investments**

The District follows the requirements of the Utah Money Management Act (*Utah Code* Annotated 1953, Section 51, Chapter 7) and the rules of the Utah Money Management Council in handling its depository and temporary investment transactions. Following are discussions of the District's exposure to various risks related to its cash management activities.

***Custodial Credit Risk***

*Deposits*

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2008, \$268,184 of the District's bank balances of \$518,184 was uninsured and uncollateralized.

*Investments*

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments.

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
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**Notes to Financial Statements**

December 31, 2008

**NOTE 2 – DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS (CONTINUED)**

**Deposits and Investments (Continued)**

***Credit Risk***

Credit Risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through the qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shared in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the District's investments at December 31, 2008.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF investments	\$ 13,055,699	less than 1 year	not rated
Commercial paper	23,592	less than 1 year	AAA
	<u>\$ 13,079,291</u>		

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**Notes to Financial Statements**

December 31, 2008

**NOTE 2 – DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS (CONTINUED)**

**Deposits and Investments (Continued)**

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligation to between 5 and 10 percent depending upon the total dollar amount held in the District's portfolio at the time of purchase.

None of the District's investments in commercial paper exceed the limits established by the Council's rule 17.

**Restricted Assets**

The District issued sewer revenue bonds and sewer assessment bonds during 1999. The bond covenants require the District to maintain a debt reserve equal to 10% of the initial bond issue. The District has placed these funds in escrow accounts with Zions Bank and PTIF. The balances in these accounts at December 31, 2008 were \$14,753 and \$211,148, respectively. The District established a second trust account with Zions Bank which is used to accrue funds for interest payments for the Sewer Revenue Bond. The balance in this account at December 31, 2008 was \$8,834.

The District issued a water revenue bond in 1996. The bond covenants require the District to fund a debt reserve account for \$733 a month from date of bond issuance until the balance is equal to \$176,000. To this extent, the District has placed in reserve \$77,858 as of December 31, 2008. A trust account with Zions Bank was established with the issuance of this bond. The balance in this account at December 31, 2008 was \$5.

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**Notes to Financial Statements**

December 31, 2008

**NOTE 2 – DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS (CONTINUED)**

**Restricted Assets (Continued)**

The District issued a sewer assessment bond in 2004. The bond covenants require the District to fund a debt reserve over 10 years until the balance is equal to \$45,000. To this extent, the District has placed in reserve \$20,849 as of December 31, 2008.

The District issued a water revenue bond in 2004. The bond covenants require the District to fund a debt reserve account for \$70 a month from date of bond issuance until the balance is equal to \$5,000. To this extent, the District has placed in reserve \$4,536 as of December 31, 2008.

The District has established two other PTIF accounts which are used for restricted funds related to outstanding debt. The balances in these accounts at December 31, 2008 were \$1,259.

The District collects developer determined assessments and holds the funds until such time as the developer requests. The District held funds totaling \$86,281 as of December 31, 2008.

In 2001, the District began collecting impact fees for sewer and water development and improvements as described in Note 8. Unexpended fees and interest of \$1,259,747 are being held in a PTIF account and in the checking account.

Bond assessments are restricted until they are needed to meet debt service requirements. As of December 31, 2008, unexpended assessments were \$2,963.

As of December 31, 2008, the District's total restricted cash requirement was \$13,786,572. However, bank balances totaled only \$12,985,787 leaving a deficit in restricted cash of \$800,785.

**NOTE 3 – ECONOMIC DEPENDENCY**

Twin Creeks Special Service District is economically dependent on the water sales, sewer collection, and wastewater treatment services it provides within its boundaries. The District received sixty-seven (67) percent of its operating revenues from these services.

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
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**Notes to Financial Statements**

December 31, 2008

**NOTE 4 – SPECIAL ASSESSMENT RECEIVABLES AND DEFERRED REVENUE**

Governmental accounting principles require that special assessment revenue be recognized when the underlying event has occurred (levy) and demand for payment is made (billing). Therefore, the District has recorded \$622,037 of deferred revenue since billings for these assessments have not yet been made. See Note 5 for additional information regarding the special assessment bonds. The amount billed equaled \$209,586 for the year ending December 31, 2008.

**NOTE 5 – LONG-TERM DEBT**

**Long-term Liabilities**

Descriptions of the long-term debt are as follows:

*Water Revenue Bonds Series 1996*

During 1996, the District issued water revenue bonds. The bonds in the amount of \$1,877,000 are due in annual principal installments ranging from \$1,000 to \$333,000 beginning in 1998 and going through March 1, 2026. The bonds accrue interest at 3% per annum, payable annually on March 1 of each year.

*Sewer Revenue Bonds Series 1999*

During 1999, the District issued sewer revenue bonds. The bonds in the amount of \$147,184 are due in annual principal installments ranging from \$11,184 to \$19,000 beginning in 2000 and going through August 1, 2009. The bonds accrue interest at rates ranging from 5.25% to 5.95%. Interest is payable annually on August 1 of each year.

*Sewer Assessment Bonds Series 1999*

During 1999, the District issued Sewer Assessment Bonds, Series 1999. The bonds in the amount of \$1,835,371 are due in annual principal installments ranging from \$139,547 to \$234,469 beginning in 2000 and going through May 1, 2009. The bonds accrue interest at rates ranging from 5.55% to 6.00%. Interest is payable annually on May 1 of each year.

*Water Revenue Bonds Series 2004A*

During 2004, the District issued water revenue bonds. The bonds in the amount of \$500,000 are due in annual principal installments of \$5,000 beginning March 1, 2005 and going through March 1, 2034. The bonds carry a 0% interest rate and 70% of the principal amount owed was forgiven by the issuer as and at the time bond funds were drawn.

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT**  
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**Notes to Financial Statements**

December 31, 2008

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

**Long-term Liabilities (Continued)**

*Special Improvement District Sewer Assessment Bonds Series 2004-1*

During 2004, the District issued Special Improvement District (SID) Sewer Assessment Bonds. The bonds in the amount of \$487,000 are due in annual principal installments ranging from \$24,000 to \$25,000 through December 1, 2024. The bonds carry a 0% interest rate.

*Bond Anticipation Notes, Series 2008*

During 2008, the District obtained a bond anticipation note in the amount of \$24,670,000. This note will be used for the construction of infrastructure for the Red Ledges development. The note is due July 15, 2010. Annual interest payments will be made over a two year period with an interest rate of 7.25%.

Interest in the amount of \$819,764 was capitalized in the year ending December 31, 2008. The District's long-term liabilities for the year ended December 31, 2008 are as follows:

	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Due Within One Year
Revenue Bonds					
Revenue bonds	\$ 1,957,000		\$ (48,000)	\$ 1,909,000	\$ 54,000
Special assessment bonds	870,000		(245,000)	625,000	258,000
Total bonds payable, net	<u>2,827,000</u>		<u>(293,000)</u>	<u>2,534,000</u>	<u>312,000</u>
Other Liabilities					
Bond anticipation note		\$ 24,670,000		24,670,000	
Deferred assessment revenue	804,255		(182,218)	622,037	255,307
Total long-term liabilities	<u>\$ 3,631,255</u>	<u>\$ 24,670,000</u>	<u>\$ (475,218)</u>	<u>\$ 27,826,037</u>	<u>\$ 567,307</u>



**TWIN CREEKS  
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**Notes to Financial Statements**

December 31, 2008

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

**Annual Debt Service Requirements**

The District's annual requirements to meet their debt obligation payments to maturity are as follows:

Year ending December 31	Principal	Interest	Total Obligation
2009	\$ 312,000	\$ 1,856,545	\$ 2,168,545
2010	24,733,000	1,840,475	26,573,475
2011	68,000	50,880	118,880
2012	74,000	49,710	123,710
2013	79,000	48,360	127,360
2014-2018	496,000	215,400	711,400
2019-2023	719,000	151,230	870,230
2024-2028	713,000	44,100	757,100
2029	10,000		10,000
Total debt	27,204,000	4,256,700	31,460,700
Less: current portion	(312,000)	(1,856,545)	(2,168,545)
Net noncurrent debt	<u>\$ 26,892,000</u>	<u>\$ 2,400,155</u>	<u>\$ 29,292,155</u>

**NOTE 6 – RELATED PARTIES**

**Jordanelle Special Service District (JSSD)**

In 2004, the District entered into a contract with JSSD to have them provide management, operations and maintenance services to the District. In addition, JSSD provides inspections of construction-in-progress and charges the District for connection fees for the Red Ledges development. The District paid \$1,056,205 for these services during 2008. As of December 31, 2008, the District owed JSSD \$114,686 for management services and bond administration fees. Subsequent to year end, the District paid JSSD \$3,000,000 in connection fees related to the Red Ledges development. The District and JSSD are both component units of Wasatch County and are governed by the same board members.

**TWIN CREEKS  
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**Notes to Financial Statements**

December 31, 2008

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2008 is as follows:

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Capital assets, not being depreciated				
Land	\$ 67,941	\$ 349,500		\$ 417,441
Easements	141,085	58,000		199,085
Water rights	29,517,639			29,517,639
Construction in process	53,946	13,735,792	\$ (10,237,896)	3,551,842
Capital assets not in use		20,906		20,906
Total capital assets, not being depreciated	<u>29,780,611</u>	<u>14,164,198</u>	<u>(10,237,896)</u>	<u>33,706,913</u>
Capital assets, being depreciated				
Water treatment plant	2,400,464	46,977		2,447,441
Sewer system	3,654,804	3,706,964		7,361,768
Water system	2,548,500	6,476,985	(29,727)	8,995,758
Vehicles	79,788			79,788
Equipment	97,058			97,058
Office equipment	5,150			5,150
Total capital assets, being depreciated	<u>8,785,764</u>	<u>10,230,926</u>	<u>(29,727)</u>	<u>18,986,963</u>
Less accumulated depreciation				
Water treatment plant	564,073	50,201		614,274
Sewer system	484,635	97,809		582,444
Water system	168,534	88,214	(925)	255,823
Vehicles	57,433	8,016		65,449
Equipment	94,309	1,964		96,273
Office equipment	5,150			5,150
Total accumulated depreciation	<u>1,374,134</u>	<u>246,204</u>	<u>(925)</u>	<u>1,619,413</u>
Net depreciable assets	<u>7,411,630</u>	<u>9,984,722</u>	<u>(28,802)</u>	<u>17,367,550</u>
Capital assets, net	<u>\$ 37,192,241</u>	<u>\$ 24,148,920</u>	<u>\$ (10,266,698)</u>	<u>\$ 51,074,463</u>

**TWIN CREEKS  
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**Notes to Financial Statements**

December 31, 2008

**NOTE 8 – IMPACT FEE REVENUE**

The District has assessed a sewer impact fee of \$3,731 per equivalent residential unit, and a water impact fee of \$5,887 per equivalent residential unit, for developments wishing to participate in the services of the District.

As permitted by §11-36-102(16) of the Utah Impact Fees Act, water impact fees for the building permits issued on Cobblestone lots have been reduced from \$5,887 to \$4,770 in order to provide the developer with a dollar-for-dollar impact fee credit for fifty-percent of their cost of constructing and installing a water line which represents system improvements.

**NOTE 9 – NET ASSETS**

Net assets at December 31, 2008 consisted of the following:

Invested in capital assets, net of related debt	
Property, plant, and equipment, net	\$ 51,074,463
Less: outstanding debt issued to construct capital assets	(15,082,068)
Total invested in capital assets, net of related debt	<u>\$ 35,992,395</u>
Restricted net assets	
Restricted for contractual agreement	<u>\$ 86,281</u>
Restricted for sewer and water development and improvements	9,874,954
Outstanding debt issued to construct capital assets	<u>(8,613,949)</u>
Restricted for sewer and water developments and improvements , net of related debt	<u>1,261,005</u>
Restricted for debt service	3,825,337
Outstanding debt issued to construct capital assets	<u>(3,507,983)</u>
Restricted for debt service, net of related debt	<u>317,354</u>
Total restricted net assets	<u>\$ 1,664,640</u>
Unrestricted net assets	<u>\$ (1,480,970)</u>
Total net assets	<u>\$ 36,176,065</u>

**TWIN CREEKS  
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**Notes to Financial Statements**  
December 31, 2008

**NOTE 10 — RECLASSIFICATION**

Comparative data for the prior year have been presented in the financial statements to provide an understanding of the changes in the District's financial position and results of operations. Certain data for the prior year have been reclassified to conform to the December 31, 2008 presentation.

## **SUPPLEMENTAL SCHEDULES**

The schedule of impact fee activities is presented for additional analysis as required by *Utah Code Sections 10-5-129 and 17A-1-4*, and is not a required part of the financial statements.

**TWIN CREEKS**  
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**Schedule of Water Impact Fee Activities**  
December 31, 2008

2002	
Project expenditures	\$ (87,496)
2002 impact fees collected	75,935
Interest earned	980
Over usage 2002	<u>(10,581)</u>
2003	
Project expenditures	(67,215)
2002 impact fees over usage	(10,581)
2003 impact fees collected	142,103
Interest earned	855
Unexpended 2003	<u>65,162</u>
2004	
Project expenditures	(71,267)
2003 impact fees used	65,162
2004 impact fees collected	214,869
Interest earned	2,383
Unexpended 2004	<u>211,147</u>
2005	
Project expenditures	(171,204)
2004 impact fees used	171,204
2005 impact fees collected	321,740
Interest earned	8,879
Unexpended 2004	39,943
Unexpended 2005	330,619
Total unexpended	<u>370,562</u>
2006	
Project expenditures	(102,594)
2004 impact fees used	39,943
2005 impact fees used	62,651
2006 impact fees collected	379,169
Interest earned	27,282
Unexpended 2005	267,968
Unexpended 2006	406,451
Total unexpended	<u>674,419</u>
2007	
Project expenditures	(9,636)
2007 impact fees collected	314,859
2007 interest earned	29,507
Unexpended 2005	258,332
Unexpended 2006	406,451
Unexpended 2007	344,366
Total unexpended	<u>1,009,149</u>
2008	
Project expenditures	(270,521)
Refunds	(3,900)
2005 impact fees used	258,332
2006 impact fees used	16,089
2008 impact fees collected	42,465
2008 interest earned	5,839
Unexpended 2006	390,362
Unexpended 2007	344,366
Unexpended 2008	48,304
Total unexpended	<u>\$ 783,032</u>

It is anticipated the unexpended impact fees will be used to make improvements to the water lines, to expand the water treatment facility, and to improve wells.

**TWIN CREEKS**  
**SPECIAL SERVICE DISTRICT**  
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**Schedule of Sewer Impact Fee Activities**  
December 31, 2008

2002	
2001 balance forward	\$ 67,632
Project expenditures	(56,522)
2002 impact fees collected	<u>36,730</u>
Unexpended 2001	11,110
Unexpended 2002	<u>36,730</u>
Total unexpended	<u>47,840</u>
2003	
Project expenditures	(19,570)
2001 impact fees used	11,110
2002 impact fees used	8,460
2003 impact fees collected	<u>69,012</u>
Unexpended 2002	28,270
Unexpended 2003	<u>69,012</u>
Total unexpended	<u>97,282</u>
2004	
Project expenditures	(23,560)
2002 impact fees used	23,560
2004 impact fees collected	<u>55,305</u>
Unexpended 2002	4,710
Unexpended 2003	69,012
Unexpended 2004	<u>55,305</u>
Total unexpended	<u>129,027</u>
2005	
Project expenditures	(45,994)
2002 impact fees used	4,710
2003 impact fees used	41,284
2005 impact fees collected	<u>133,473</u>
Unexpended 2003	27,728
Unexpended 2004	55,305
Unexpended 2005	<u>133,473</u>
Total unexpended	<u>216,506</u>
2006	
Project expenditures	(29,140)
2003 impact fees used	27,728
2004 impact fees used	1,412
2006 impact fees collected	244,754
2006 interest earned	<u>18,217</u>
Unexpended 2004	53,893
Unexpended 2005	133,473
Unexpended 2006	<u>262,971</u>
Total unexpended	<u>450,337</u>
2007	
Project expenditures	(24,696)
2007 impact fees collected	22,386
2007 interest earned	<u>29,049</u>
Unexpended 2004	29,197
Unexpended 2005	133,473
Unexpended 2006	262,971
Unexpended 2007	<u>51,435</u>
Total unexpended	<u>477,076</u>
2008	
Project expenditures	(24,693)
2004 impact fees used	24,693
2008 impact fees collected	7,462
2008 interest earned	<u>16,869</u>
Unexpended 2004	4,507
Unexpended 2005	133,473
Unexpended 2006	262,971
Unexpended 2007	51,435
Unexpended 2008	<u>24,331</u>
Total unexpended	<u>\$ 476,717</u>

It is anticipated that the unexpended impact fees will be used for bond payments in 2009 and additional infrastructure costs for lines constructed in 2010.

## **ADDITIONAL AUDITORS' REPORTS AND SCHEDULES**

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.





# HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA  
KEVIN L. SIMISTER, CPA  
O. JEFFERY WILDE, CPA  
MARK D. WHITTAKER, CPA  
DENTON R. ALEXANDER, CPA  
D. ERIC NUTTALL, CPA  
BRUCE D. GARFIELD, CPA  
CLINT L. PETERSON, CPA  
ANGELA ANDERSON MORRIS, CPA  
MARK L. HALE, CPA  
JOSH G. ROWLEY, CPA

RICHARD E. HAWKINS, CPA  
KEITH T. BORUP, CPA  
RONALD K. HAWKINS, CPA

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Governing Board Members  
Twin Creeks Special Service District  
Heber City, Utah

We have audited the financial statements of Twin Creeks Special Service District, a component unit of Wasatch County, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 23, 2009. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Twin Creeks Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process,

or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying Schedule of Audit Findings as items 08-1, 08-2, 08-3 and 08-4 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1 and 08-4 to be material weaknesses.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Twin Creeks Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Twin Creeks Special Service District's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings. We did not audit the District's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Governing Board, and the Utah State Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

June 23, 2009

**TWIN CREEKS  
SPECIAL SERVICE DISTRICT  
A COMPONENT UNIT OF WASATCH COUNTY**

**Schedule of Audit Findings**

December 31, 2008

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Twin Creeks Special Service District.
2. There were four significant deficiencies, as described in findings 08-1, 08-2, 08-3 and 08-4, relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

**B. FINDINGS — FINANCIAL AUDIT CURRENT YEAR**

**08-1 Finding: Transactions Posted Incorrectly**

While conducting the audit we noted that invoices for engineering services related to the construction of the District's capital assets and invoices for the purchase of capital assets were being expensed. We noted that debt service principal payments were being expensed. We also noted that pass-through charges were not posted to the correct account. We noted in some instances that expenses were being capitalized.

**Recommendation**

We recommend more care be taken during the data input phase of the Cash Disbursements process to ensure the invoice is posted to the correct general ledger account.

**District's Response**

We agree with the finding and will provide more training for accounting personnel to ensure the proper accounts are used when invoices are entered into the accounting system.

**08-2 Finding: Contributed Assets**

While conducting the audit we noted that the District is not recording contributed assets on a timely basis and has no process in place for recording such information.

**Recommendation**

We recommend the District implement a process to ensure all contributed assets are completely recorded, properly valued, and thoroughly documented.

**District's Response**

We agree with the finding and the District manager will work with the Treasurer to put a procedure in place to ensure contributed assets are valued and recorded as title is transferred.

**08-3 Finding: Restricted Monies**

While conducting the audit we noted that the District has not been tracking restricted monies to ensure the funds are expended for their restricted purposes.

**Recommendation**

We recommend the District track restricted funds in separate accounts to ensure proper expenditure of restricted funds.

**District's Response**

We agree with the finding and will use extra care to ensure restricted monies are tracked more thoroughly.

**08-4 Finding: Bond Anticipation Note**

While conducting the audit we noted that the issuance of Bond Anticipation Note Series 2008 and all related trust accounts were not recorded in the general ledger. Monthly trust statements had not been received from Zions Bank; therefore, the accounts were also not reconciled in a timely manner. Draws from this note were being processed outside of the accounting department which resulted in the construction costs for the Red Ledges development infrastructure not being recorded in the general ledger.

**Recommendation**

We recommend District management clearly communicate all new debt agreements to accounting personnel to ensure that all information is recorded accurately and timely.

**District's Response**

We agree with the finding and will ensure all such information is communicated clearly and timely.

**C. CURRENT YEAR STATUS OF PRIOR YEAR FINDINGS****07-1 Finding: Transactions Posted Incorrectly**

While conducting the audit we noted that invoices for engineering services related to the construction of the District's capital assets and invoices for the purchase of capital assets were being expensed. We noted that debt service principal payments were being expensed. We also noted that pass-through charges were not posted to the correct account. We noted in some instances that expenses were being capitalized.

**Status**

See current year finding 08-1.

**07-2 Finding: Contributed Assets**

While conducting the audit we noted that the District is not recording contributed assets on a timely basis and has no process in place for recording such information.

**Status**

See current year finding 08-2.



# HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA  
KEVIN L. SIMISTER, CPA  
O. JEFFERY WILDE, CPA  
MARK D. WHITTAKER, CPA  
DENTON R. ALEXANDER, CPA  
D. ERIC NUTTALL, CPA  
BRUCE D. GARFIELD, CPA  
CLINT L. PETERSON, CPA  
ANGELA ANDERSON MORRIS, CPA  
MARK L. HALE, CPA  
JOSH G. ROWLEY, CPA

RICHARD E. HAWKINS, CPA  
KEITH T. BORUP, CPA  
RONALD K. HAWKINS, CPA

## UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

Honorable Governing Board Members  
Twin Creeks Special Service District  
Heber City, Utah

We have audited the financial statements of Twin Creeks Special Service District, a component unit of Wasatch County, for the year ended December 31, 2008, and have issued our report thereon dated June 23, 2009. Our audit included test work on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Issues
- Impact Fees

The District did not receive any State grants during the year ended December 31, 2008.

The management of the Twin Creeks Special Service District is responsible for the District's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed three immaterial instances of noncompliance with the requirements referred to above, which are described below. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the final paragraphs below.

## **A. CURRENT YEAR IMMATERIAL INSTANCE OF NONCOMPLIANCE**

### **1. Finding: Notice for Budget Hearing**

Utah Code, Section 17A-1, Part 4, requires the District to publish a notice for the budget hearing at least seven days prior to the hearing. Notice for the hearing was not published correctly.

#### **Recommendation**

We recommend the District ensure proper notice is given by publishing the notice at least seven days before the hearing.

#### **District's Response**

The notice was given to the paper at the right time, but the paper did not publish the notice correctly. We agree with the finding and will watch the paper in the future to ensure the notice is published correctly to prevent noncompliance.

### **2. Finding: Expenditures in Excess of Budget**

*Utah Code, Section 17B-1-6* states that the officers and employees of the District shall not incur expenditures in excess of the total appropriations for any department or fund. The District's expenditures were in excess of budget.

#### **Recommendation:**

We recommend management compare year-to-date actual income and expenses to the current year budget prior to year end. Proposed budget amendments can then be reviewed by the Board and an amended budget approved to ensure compliance. We also recommend this comparison be reviewed when formulating the budget for the ensuing fiscal year.

#### **District's Response:**

Management agrees with the finding and will take more care to include all expected revenue and expenses in the current year budget in order to ensure expenses do not exceed budgeted appropriations.

## **2. Finding: Accounting for Impact Fees**

*Utah Code, Section 11-36-301* states that each local political subdivision collecting impact fees shall establish separate interest bearing ledger accounts for each type of public facility for which an impact fee is collected and retain the interest earned on each fund or account in the fund or account. The District is pooling impact fees with other restricted monies in one account and is not tracking the related interest income for the fees.

### **Recommendation:**

We recommend the District track impact fees and allocate interest income on a monthly basis to those fees being held in the pooled account.

### **District's Response:**

Management agrees with the finding and is considering opening separate accounts for each type of impact fee.

## **B. CURRENT STATUS OF PRIOR YEAR IMMATERIAL INSTANCE OF NONCOMPLIANCE**

### **Finding: Fidelity Bond**

*Utah Code 51-7-15* and Rule 4 of the Utah Money Management Council require the District to secure a fidelity bond based on the previous year's budgeted gross revenues. The District failed to secure a fidelity bond in the amount required by State law.

### **Status**

This finding has been corrected.

In our opinion, Twin Creeks Special Service District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2008.

Twin Creeks Special Service District's responses to the findings identified in our audit are described above. We did not audit the District's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Governing Board, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

June 23, 2009